**M ONTEREY PENINSULA**
**AIRPORT DISTRICT**

Annual Financial and
Compliance Report

For the Years Ended
June 30, 2017 and 2016

MGO Certified Public Accountants

**MONTEREY PENINSULA**
**AIRPORT DISTRICT**

**Board of Directors**
**at June 30, 2017**

| Name | Office | Term Expires |
|---|---|---|
| Matthew Nelson | Chair | December 2018 |
| Carl M. Miller | Vice-Chair | December 2018 |
| William J. Sabo | Director | December 2020 |
| Richard D. Searle | Director | December 2020 |
| Mary Ann Leffel | Director | December 2020 |

**MONTEREY PENINSULA AIRPORT DISTRICT**
For the Years Ended June 30, 2017 and 2016

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Certified Public Accountants

# Independent Auditor's Report

Board of Directors
Monterey Peninsula Airport District
Monterey, California

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Monterey Peninsula Airport District (District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of contributions – pension plans, and the schedule of funding progress – other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Federal Aviation Administration and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the schedule of passenger facility charge revenues and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of passenger facility charge revenues and expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards,* we have also issued our report dated October 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 30, 2017

**MONTEREY PENINSULA AIRPORT DISTRICT**
**Management's Discussion and Analysis (Unaudited)**
**For the Years Ended June 30, 2017 and 2016**

The Management Discussion and Analysis (MD&A) is provided by the Monterey Peninsula Airport District (District) in compliance with requirements established by the Governmental Accounting Standards Board, Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). It is intended to serve as an introduction to the financial statements for the years ended June 30, 2017 (FY17) and 2016 (FY16). The information presented is to be read in conjunction with the financial statements, footnotes and supplementary information found in this report.

## Mission Statement

The mission of the Monterey Regional Airport is to *provide the region convenient commercial and general aviation access to the national air transportation system, operate the airport in a safe, efficient, sustainable and fiscally responsible manner, and develop the airport to meet future needs, opportunities and challenges*.

## Overview of the Monterey Peninsula Airport District

The District was created on March 22, 1941, by the passage of State Senate Bill No. 1300 that authorized an independent public airport district which would qualify for federal funds. The District's enabling act was revised effective January 1, 2007; the revision updated the archaic language and provisions to allow the District to function more efficiently. The District is governed by five directors elected by voters at large residing in Monterey, Pacific Grove, Del Monte Forest, Pebble Beach, Carmel-by-the-Sea, greater Carmel, the west end of Carmel Valley, Del Rey Oaks, Sand City, and Seaside. The District employs an Executive Director as its Chief Executive and a Corporate Legal Counsel.

The Monterey Regional Airport (Airport), 501 acres, has two parallel, east-west runways. The primary runway, 10R/28L, is 7,175 feet long and 150 feet wide. It is used by commercial and business aircraft and is equipped for instrument landings with a Category I instrument landing system on runway 10R. The secondary runway, 10L/28R, is 3,500 feet long and 65 feet wide, used solely by general aviation aircraft.

During FY17 and FY16, four commercial airlines served the airport with scheduled flights. Alaska, American Airlines, American Eagle, and United Express provided non-stop service to four gateway hubs: Los Angeles, Phoenix, San Diego and San Francisco. Allegiant operated non-stop service, two days per week, to Las Vegas.

There is a strong general aviation presence on the airfield. Two full-service fixed-based operators, Del Monte Aviation and Monterey Jet Center, and other aviation tenants provide aircraft line services, fuel, aircraft storage, maintenance, flight instruction, and aircraft rentals.

The District is structured as an enterprise fund. District financial statements are prepared using the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized when incurred. Costs are recovered through airport rents from tenants, landing and fuel fees, and other charges. Capital improvements are funded from three sources: (1) Federal grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) derived from a 10% tax on the airline tickets, (2) Passenger Facility Charges (PFC) collected for each enplaned passenger at the point of origin and one intermediate-stop, and (3) District contributed funds. Capital assets are capitalized and depreciated, except land and construction in progress, over their useful lives. Please refer to the notes to the financial statements for a summary of the District's significant accounting policies.

## Overview of the Financial Statements

The District's financial statements and supplemental schedules are presented after the MD&A. This information, taken collectively, is designed to provide readers with an understanding of the District's financial position.

The *Statements of Net Position* presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these balances as *Net Position*. Over time, increases or decreases in total net position may serve as a useful indicator of the District's financial position.

The *Statements of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported for certain items in this statement may result in cash flows in future fiscal periods.

The *Statements of Cash Flows* relates to the flows of cash and cash equivalents. Only transactions that affect the District's cash accounts are recorded in this statement. The reconciliation at the bottom of this statement indicates the difference between cash flows from operating activities and operating income.

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

## Financial Highlights

✈ The assets and deferred outflows of resources of the District exceed liabilities and deferred inflows of resources by $71,909,977 and $73,349,648 at June 30, 2017 and 2016, respectively.

✈ In FY17, the District acquired and placed into service the capital assets listed below:

- Completed Runway Safety Area (RSA) – Construction ($29,460,198)
- Completed RSA – Construction Phase 2 – ($22,996,503)
- Replaced one (1) Airport Runway Sweeper ($272,898),
- Acquired one (1) Commercial Facilities Mower ($17,713),
- Replaced Terminal Furniture and Refreshed Passenger Areas ($32,294)
- Acquired one (1) Runway Paint Machine ($40,265).

✈ In FY16, the District acquired and placed into service the capital assets listed below:

- Replaced two (2) maintenance pick-up trucks ($66,594), and
- Acquired one (1) electric cart ($18,309).

✈ The District completed its Runway Safety Area (RSA) project; a congressionally-mandated project.

✈ The District met its obligations and reduced its taxable pension obligation bond principal to $1,706,000 (FY16 $2,005,000).

✈ In the airport industry, one standard measure of a commercial airport's size is the number of annual enplanements, i.e., passengers flying from the airport on commercial airlines. Enplaned passengers during the six-year period, FY12 through FY17, are presented below in Table I.

**Table I**

| **TOTAL ENPLANEMENTS: FISCAL YEARS 2012 - 2017** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **FY 2012** | | **FY 2013** | | **FY 2014** | | **FY 2016** | | **FY 2016** | | **FY 2017** | |
| 7/11 | 16,912 | 7/12 | 18,364 | 7/13 | 18,756 | 7/14 | 15,980 | 7/15 | 16,239 | 7/16 | 17,679 |
| 8/11 | 16,204 | 8/12 | 18,501 | 8/13 | 17,680 | 8/14 | 16,622 | 8/15 | 16,248 | 8/16 | 17,589 |
| 9/11 | 16,765 | 9/12 | 17,462 | 9/13 | 17,798 | 9/14 | 15,280 | 9/15 | 14,682 | 9/16 | 17,304 |
| 10/11 | 17,247 | 10/12 | 18,778 | 10/13 | 18,307 | 10/14 | 17,102 | 10/15 | 15,507 | 10/16 | 17,856 |
| 11/11 | 15,213 | 11/12 | 17,675 | 11/13 | 16,235 | 11/14 | 15,168 | 11/15 | 15,762 | 11/16 | 16,444 |
| 12/11 | 14,678 | 12/12 | 16,962 | 12/13 | 16,362 | 12/14 | 13,882 | 12/15 | 15,348 | 12/16 | 16,275 |
| 1/12 | 12,403 | 1/13 | 14,516 | 1/14 | 14,157 | 1/15 | 12,728 | 1/16 | 13,046 | 1/17 | 14,802 |
| 2/12 | 13,585 | 2/13 | 14,747 | 2/14 | 14,191 | 2/15 | 13,010 | 2/16 | 13,562 | 2/17 | 15,102 |
| 3/12 | 14,445 | 3/13 | 18,015 | 3/14 | 16,886 | 3/15 | 15,823 | 3/16 | 16,040 | 3/17 | 18,986 |
| 4/12 | 15,262 | 4/13 | 17,563 | 4/14 | 16,278 | 4/15 | 15,926 | 4/16 | 15,844 | 4/17 | 17,677 |
| 5/12 | 16,529 | 5/13 | 17,619 | 5/14 | 17,932 | 5/15 | 16,336 | 5/16 | 17,813 | 5/17 | 18,832 |
| 6/12 | 18,207 | 6/13 | 18,588 | 6/14 | 16,302 | 6/15 | 15,110 | 6/16 | 17,872 | 6/17 | 18,359 |
| | 187,450 | | 208,790 | | 200,884 | | 182,967 | | 187,963 | | 206,905 |

- FY17 enplanements increased 10.1% compared to FY16 to 206,905 primarily due to increases in scheduled flights, which began in FY16.

- FY16 enplanements increased 2.7% compared to FY15 to 187,963 due to scheduling and equipment changes by the airlines. Commercial air carrier operations are summarized below:

  - Alaska Airlines operated non-stop daily flights on 76-seat Bombardier turbo-props (Q-400) to San Diego (SAN) and Los Angeles (LAX).

  - American Eagle, wholly-owned by American Airlines, provides 4 daily non-stop flown by SkyWest Airlines or Mesa Airlines, to Phoenix (PHX) on 50-seat regional jets (CRJ-200) or 86-seat regional jets (CRJ-900).

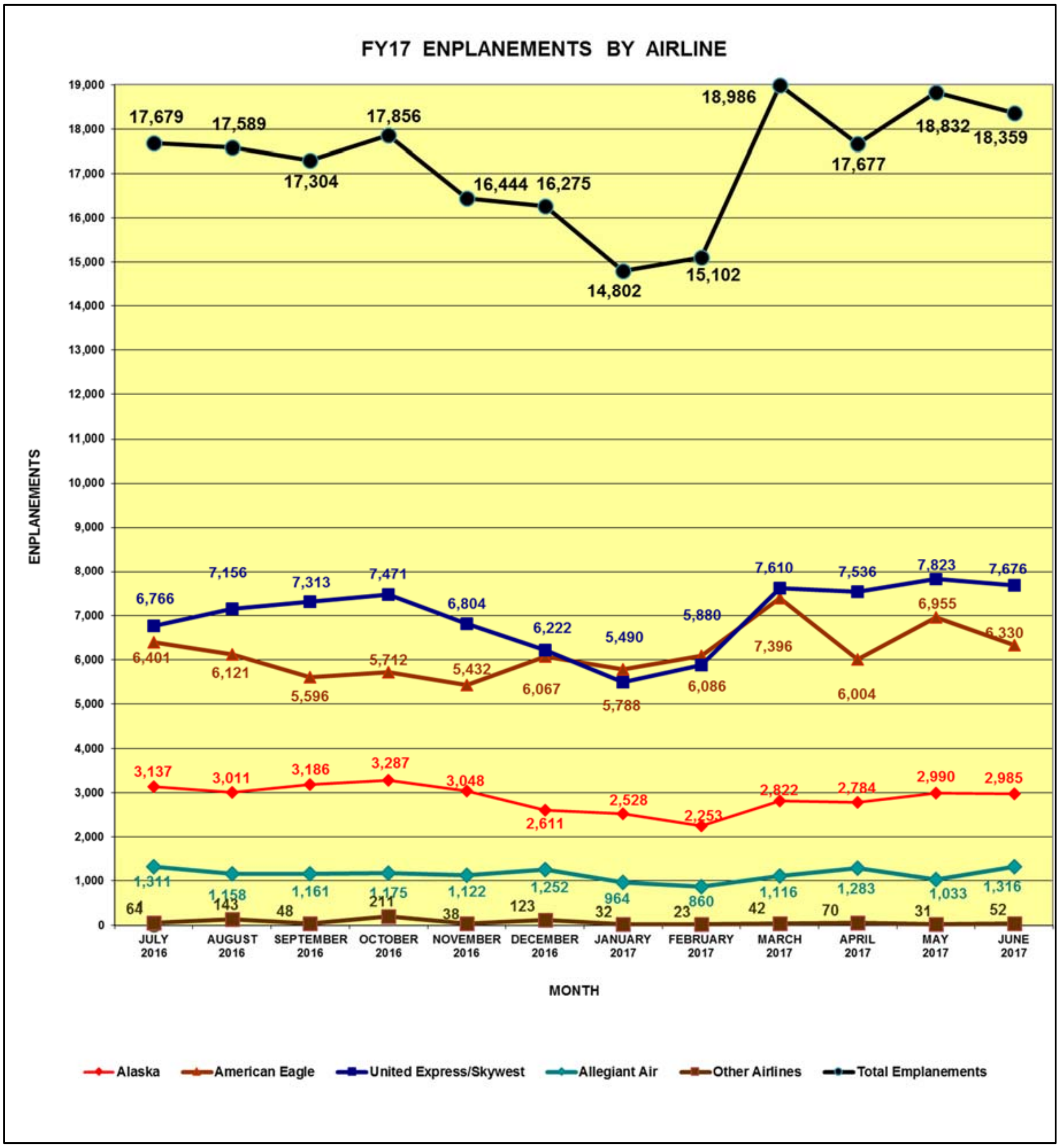
  - United Express, also operated by SkyWest Airlines, provided daily non-stop flights to San Francisco (SFO) and to Los Angeles (LAX) on 50-seat Canadair regional jets (CRJ-200) or (CRJ-700).

  - VIA and Elite Airlines operated as a non-scheduled, charter airline flying "gambler specials" to Nevada gaming resorts on 99-seat ERJ-190 jets.

**Financial Highlights** (Continued)

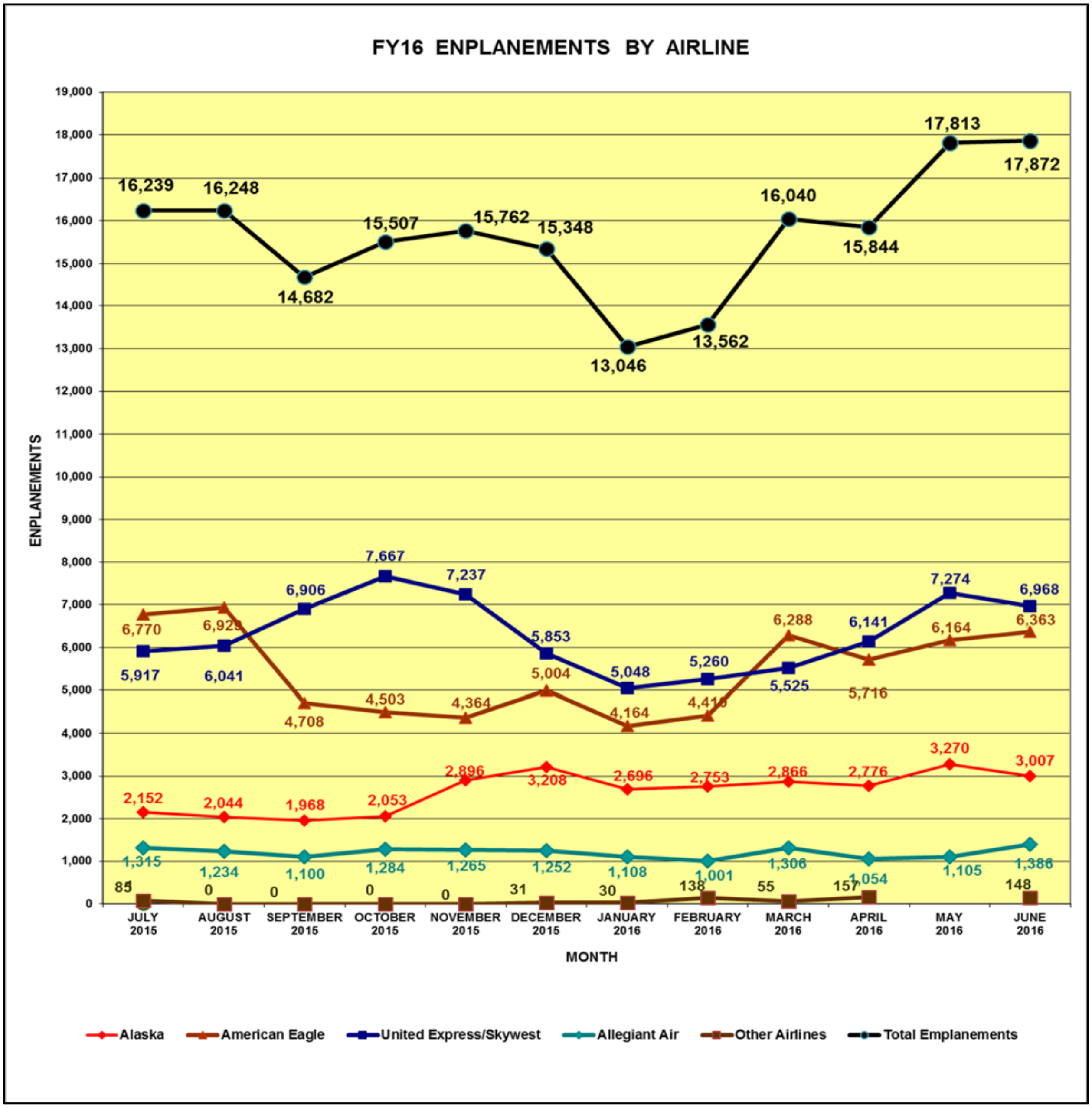
Charts A and B present the monthly enplanements for FY17 and FY16 respectively, in total and for the scheduled commercial airlines that serve the Airport.

**Chart A**



**Financial Highlights** (Continued)

**Chart B**



## Summary of Net Position

**Table II**

A summarized comparison of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30 follows:

### Changes in Net Position

| | 2017 | % Change | 2016 | % Change | 2015 |
|---|---|---|---|---|---|
| Current and other assets | $ 8,370,945 | 13.1% | $ 7,401,843 | -11.7% | $ 8,379,219 |
| Capital assets, net | 75,107,812 | -3.4% | 77,734,112 | 18.5% | 65,590,110 |
| Total assets | 83,478,757 | -1.9% | 85,135,955 | 15.1% | 73,969,329 |
| Deferred outflow of resources | 1,569,047 | 188.6% | 543,750 | 49.8% | 362,999 |
| Debt outstanding | 1,706,000 | -14.9% | 2,005,000 | -12.5% | 2,291,000 |
| Other liabilities | 10,380,624 | 15.1% | 9,015,664 | -13.8% | 10,459,574 |
| Total liabilities | 12,086,624 | 9.7% | 11,020,664 | -13.6% | 12,750,574 |
| Deferred inflow of resources | 1,051,203 | -19.7% | 1,309,393 | -25.0% | 1,746,917 |
| Net investment in capital assets | 74,128,727 | -2.7% | 76,218,198 | 22.8% | 62,064,776 |
| Restricted - unspent Passenger Facilities Charges | 1,416,809 | 71.7% | 824,931 | -27.7% | 1,140,291 |
| Unrestricted | (3,635,559) | -1.6% | (3,693,481) | 9.6% | (3,370,230) |
| Total net position | $ 71,909,977 | -2.0% | $ 73,349,648 | 22.6% | $ 59,834,837 |

Net Position decreased $1,439,671 from FY16 to FY17 compared to a $13,514,811 increase from FY15 to FY16, primarily due to the District's investment in capital assets, specifically runway safety area improvements, which were grant funded. Conforming to requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, funds received from operating grants and PFCs are included in the financial statements, referred to as "Other Nonoperating Revenue" and grants restricted for capital purposes are reported as "Capital Contributions." In FY17, the District recognized $2,133,438 from FAA AIP grants and $822,880 from PFCs, not including net interest income, to fund architectural design, engineering design, and construction costs. The District received $16,798,453 from FAA AIP grants and $756,914 from PFCs to fund airport improvement projects during FY16.

Other Liabilities increased $1,364,960 from FY16 to FY17 primarily due to an increase in accrued Net Pension Liability FY17. Other Liabilities decreased $1,443,910 from FY15 to FY16 primarily due to a reduction in accrued capital project costs that were paid subsequent to FY16.

## Implementation of GASB Statements No. 68 and 71

In FY15, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The objective of the statements is to improve accounting and financial reporting by state and local government entities for pensions.

GASB Statement No. 68 establishes uniform standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expense/expenditures. For defined benefit pension plans, the statement identifies the methods and assumptions that should be used. Recognition and disclosure requirements for employers with liabilities to a defined benefit plan are detailed. Note disclosure and required supplementary information have been addressed.

The District is a "cost-sharing employer"; an employer whose employees are provided with defined benefit pensions through a cost-sharing multiple-employer (pooled) pension plan. Additional information is contained in the notes to these financial statements.

## Operating Revenues

An airport functions as a landlord. District income is derived from fees and lease income. Total operating revenues for the year were $8,984,949, an increase of 4.5% when compared to FY16 ($8,597,015) and an increase of 2.9% when compared to FY15 ($8,351,300). The increase in operating revenues are the result of increased commercial and general aviation air operations and rate increases.

Revenues derived from the activities of commercial airlines and from airline passengers using services offered by the Airport account for 55.4% of FY17, 54.3% of FY16 and 55.2% of FY15 total operating revenues. This was an increase of 3.6% compared to FY16 and a 1.2% increase over FY15 (see Table III, "Subtotal – Commercial Aviation"). Included in this category are revenues paid by commercial airlines for landing, apron and aircraft overnight parking fees and income received from tenants that rent space in the airport terminal.

The line item, "Terminal Leases & Concessions", includes lease income from many sources: concessions such as *The Golden Tee Restaurant* and the *Gifts and More* gift shop; commercial airlines that rent ticket counters, offices, baggage make-up, hold rooms and baggage claim areas; five rental car companies (*Avis, Budget, Enterprise, Hertz, and National*); long and short-term parking lots and in-terminal advertising. This category of revenue increased 5.2% when compared to FY16 and a 1.0% increase when compared to FY15.

General Aviation activities generated 20.8% of FY17, 21.3% of FY16 and 20.7% of FY15 total operating revenues. Corporate aviation and general aviation tenants remit landing fees, fuel fees, and rental income for leased land, hangars, tie-downs, aircraft parking aprons, and offices. These revenues increased 3.8% from FY16 and 4.1% from FY15 levels, respectively.

Non-aviation tenants produced 19.2% of FY17, 19.3% of FY16, and 19.9% of FY15 total operating revenues, an increase of 4.2% compared to FY16, and 0.1% compared to FY15.

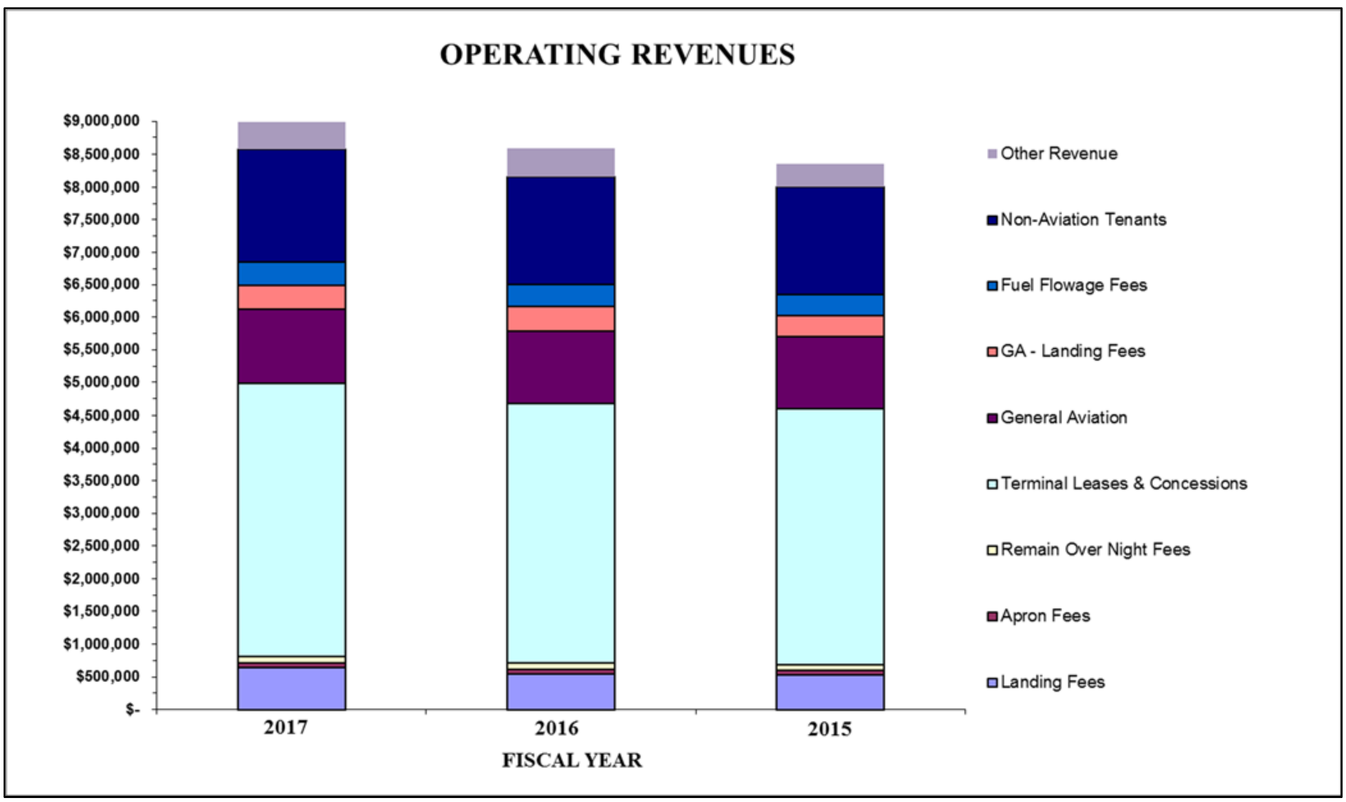
**Operating Revenues** (Continued)

Table III presents a comparison of operating revenues for Fiscal Years 2017, 2016 and 2015. Chart C provides a graphic representation of operating revenues.

**Table III**

| FISCAL YEARS 2017, 2016 & 2015 OPERATING REVENUES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | | 2015 | | |
| Landing Fees | $ | 637,215 | 7.1% | $ | 542,574 | 6.3% | $ | 526,088 | 6.3% |
| Apron Fees | | 73,260 | 0.8% | | 75,242 | 0.9% | | 76,744 | 0.9% |
| Remain Over Night Fees | | 104,831 | 1.2% | | 91,116 | 1.1% | | 86,486 | 1.0% |
| Terminal Leases & Concessions | | 4,165,518 | 46.4% | | 3,959,174 | 46.1% | | 3,921,487 | 47.0% |
| Subtotal - Commercial Aviation | $ | 4,980,824 | 55.4% | $ | 4,668,106 | 54.3% | $ | 4,610,805 | 55.2% |
| General Aviation | $ | 1,141,074 | 12.7% | $ | 1,117,412 | 13.0% | $ | 1,091,164 | 13.1% |
| Landing Fees | | 366,773 | 4.1% | | 372,105 | 4.3% | | 327,355 | 3.9% |
| Fuel Flowage Fees | | 357,366 | 4.0% | | 337,634 | 3.9% | | 314,130 | 3.8% |
| Subtotal - General Aviation | $ | 1,865,213 | 20.8% | $ | 1,827,151 | 21.3% | $ | 1,732,649 | 20.7% |
| Non-Aviation Tenants | $ | 1,729,424 | 19.2% | $ | 1,659,911 | 19.3% | $ | 1,658,366 | 19.9% |
| Other Revenue | | 409,488 | 4.6% | | 441,847 | 5.1% | | 349,480 | 4.2% |
| Total | $ | 8,984,949 | 100% | $ | 8,597,015 | 100% | $ | 8,351,300 | 100% |

**Chart C**



## Operating Expense Before Depreciation and Amortization

Operating expense before depreciation and amortization in FY17 ($8,086,505) increased 3.6% compared to FY16 ($7,802,142) and increased 5.7% when compared to FY15 ($7,652,017) (see Table V, "Fiscal Years 2017, 2016 and 2015 Operating Expense Before Depreciation and Amortization").

Table IV presents salary and payroll expense by Airport department. The Airport provides a wide variety of services and staffs its own police department. Salaries and payroll costs increased $175,270 (4.4%) compared to FY16 and increased $237,322 (6.0%) compared to FY15. Salaries and payroll costs, measured as a percentage of total operating expense before depreciation and amortization, were 51.4% in FY17, 51.1% in FY16 and 51.3% in FY15. A significant portion of the FY17 salaries and payroll increase compared to FY 16 is directly attributable to expense increases from recognizing required GASB 68 adjustments ($486,160).

### Table IV

| FISCAL YEARS 2017, 2016 & 2015 SALARY & PAYROLL EXPENSE | | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| **Finance & Administration** | $ 886,819 | 21.3% | $ 858,343 | 21.5% | $ 985,162 | 25.1% |
| **Planning & Development** | 293,821 | 7.1% | 414,317 | 10.4% | 436,065 | 11.1% |
| **Maintenance & Custodial Services** | 1,018,603 | 24.5% | 906,349 | 22.7% | 916,916 | 23.4% |
| **Airport Operations** | 315,093 | 7.6% | 285,097 | 7.2% | 284,213 | 7.2% |
| **Police Department** | 1,108,510 | 26.6% | 1,441,586 | 36.2% | 1,177,588 | 30.0% |
| **ARFF / Fire Department** | 537,497 | 12.9% | 79,380 | 2.0% | 123,077 | 3.1% |
| **Total** | $4,160,343 | 100% | $ 3,985,072 | 100% | $3,923,021 | 100% |

Table V compares operating expense for FY17, FY16 & FY15. Chart D provides a graphic representation of operating expenses. All department operating expenses were effected by an increase in CalPERS Unfunded Account Liability and GASB 68 post-closing adjustments.

<u>Finance & Administration (FA) operating expense</u> increased 7.7% compared to FY16 and decreased 1.1% when compared to FY15. The FY17 FA expense increase resulted from the Airport Community Day Event (marketing) and accounting policies consulting expenses.

<u>Planning & Development (PD) operating expense</u> decreased 22.0% compared to FY16 and decreased 4.4% when compared to FY15. The FY17 PD expense decrease resulted from a reduction in headcount, and lower Architect & Engineer and Environmental expenses.

<u>Maintenance & Custodial Services (MCS) operating expense</u> decreased 1.1% from FY16 and increased 3.6% when compared to FY15. The FY17 MCS expense decrease resulted from fewer contracted Airfield Repair and Terminal Repair/Maintenance projects. MCS' goal is to perform more projects internally and rely less on contractors.

**Operating Expense Before Depreciation and Amortization** (Continued)

Airport Operations (OPS) FY17 operating expense increased 2.5% compared to FY16 and increased 6.3% when compared to FY15. FY17 OPS expenses were controlled as the department balanced its workload and continued management of airport (airside and landside) operations.

Police Department operating expense decreased 15.7% compared to FY16 and increased 3.4% when compared to FY15. A significant portion of the FY17 expense decrease is directly attributable to reduced labor and related expenses. The District's Police department was budgeted for 7 full-time officers but operated with 6 full-time officers. The District's "Law Enforcement Officer (LEO) Reimbursement Grant" from the U. S. Department of Homeland Security (DHS) was extended for FY17 and FY18. The LEO operating grant offsets labor costs used to support TSA security.

ARFF / Fire operating expense increased 29.1% compared to FY16 and increased 24.1% when compared to FY15. FY17 and FY16 increase in ARFF expenses are directly related higher required contributions to CalPERS Unfunded Account Liability. In FY15 District eliminated its fire department staff and contracted with the City of Monterey for fire department staffing services. The City of Monterey absorbed the District's fire department staff thought a 3-year contract which provides the airport with Aircraft Rescue and Fire Fighting (ARFF) services. The District is required to make CalPERS Unfunded Account Liability contributions to fire department staff who worked for the airport before contracting with City of Monterey.

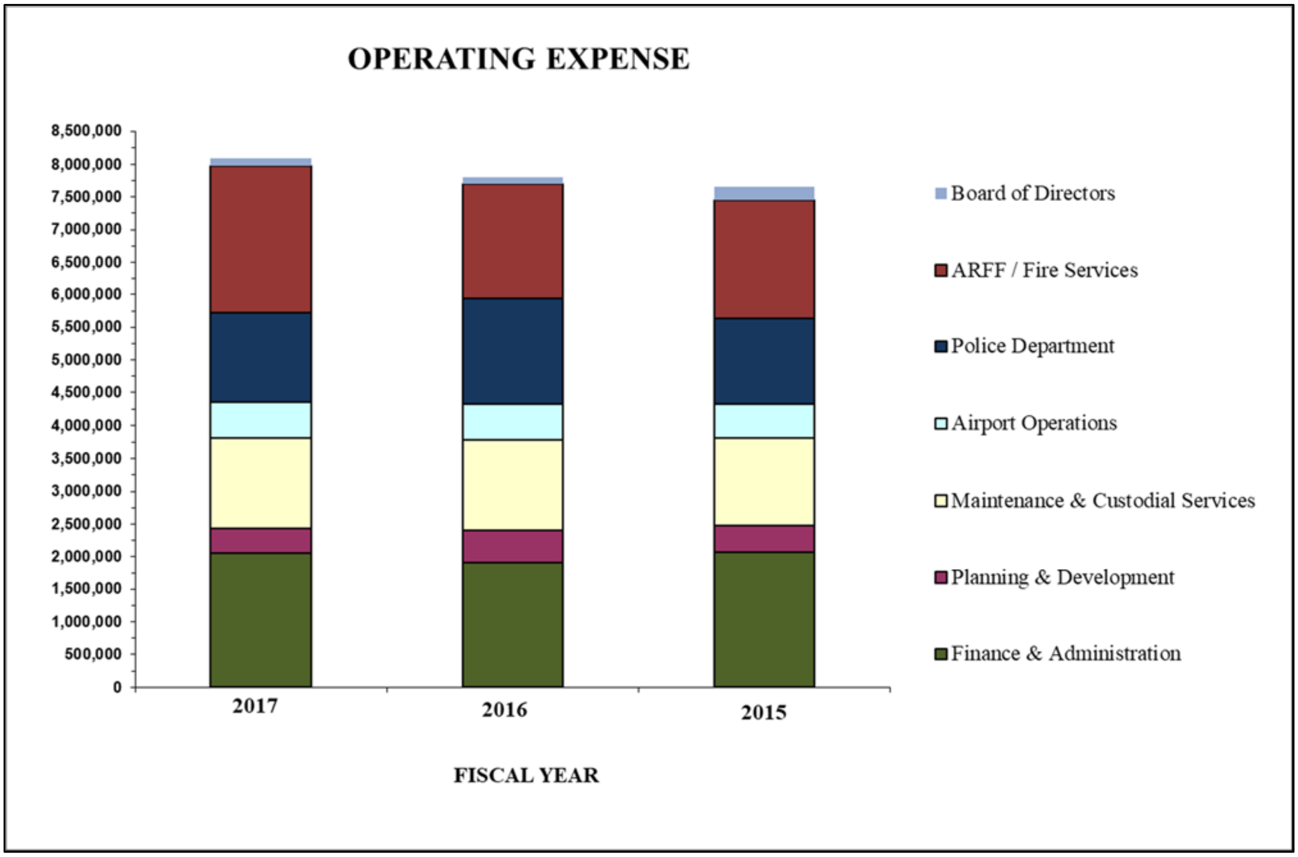
Board of Directors operating expense decreased 3.4% compared to FY16 and decreased 45.6% compared to FY15. The Board of Directors are elected (at large) during the November general election; thereby the District incurs elections expense every other year. The District had no election expense in FY17 since all Board of Directors ran uncontested. Two Board of Directors terms will end in FY18.

**Table V**

| FISCAL YEARS 2017, 2016 & 2015 OPERATING EXPENSE BEFORE DEPRECIATION AND AMORTIZATION | | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| **Finance & Administration** | $ 2,053,315 | 25.4% | $ 1,906,844 | 24.9% | $ 2,077,095 | 27.1% |
| **Planning & Development** | 386,691 | 4.8% | 495,968 | 6.5% | 404,446 | 5.3% |
| **Maintenance & Custodial Services** | 1,375,949 | 17.0% | 1,391,462 | 18.2% | 1,327,588 | 17.3% |
| **Airport Operations** | 543,277 | 6.7% | 530,186 | 6.9% | 511,290 | 6.7% |
| **Police Department** | 1,365,654 | 16.9% | 1,620,498 | 21.2% | 1,320,157 | 17.3% |
| **ARFF / Fire Services** | 2,256,741 | 27.9% | 1,748,566 | 22.9% | 1,818,645 | 23.8% |
| **Board of Directors** | 104,878 | 1.3% | 108,618 | 1.4% | 192,796 | 2.5% |
| **Total** | $ 8,086,505 | 100% | $ 7,802,142 | 102% | $ 7,652,017 | 100% |

**Operating Expense Before Depreciation and Amortization** (Continued)

**Chart D**



## Actual versus Budget – FY17 Revenues, Expenses and Change in Net Position

Table VI compares actual and budgeted operating revenues, operating expenses, and the change in net position for Fiscal Year 2017.

### Table VI

| Operating Revenues | Actual | Budget | Var. Over/(Under) |
|---|---|---|---|
| Commercial Aviation - Fees | $ 815,305 | $ 761,718 | $ 53,587 |
| General Aviation - Fees | 366,773 | 357,141 | 9,632 |
| Terminal Concessions and Leases | 4,165,518 | 3,990,312 | 175,206 |
| Heavy General Aviation | 1,050,727 | 1,005,406 | 45,321 |
| Light General & Other Aviation Tenants | 447,714 | 459,210 | (11,496) |
| Non-Aviation Tenants | 1,729,424 | 1,654,180 | 75,244 |
| Other Operating Revenue | 409,488 | 372,142 | 37,346 |
| Total Operating Revenue | 8,984,949 | 8,600,109 | 384,840 |
| | | | |
| Operating Expenses | | | |
| Finance & Administration | 2,053,315 | 2,008,004 | 45,311 |
| Planning & Development | 386,691 | 414,670 | (27,979) |
| Maintenance & Custodial Services | 1,375,949 | 1,543,435 | (167,486) |
| Airport Operations | 543,277 | 556,174 | (12,897) |
| Police Department | 1,365,654 | 1,336,767 | 28,887 |
| ARFF Services | 2,256,741 | 1,944,969 | 311,772 |
| Board of Directors | 104,878 | 222,754 | (117,876) |
| Total Operating Expenses | 8,086,505 | 8,026,773 | 59,732 |
| | | | |
| Operating Income / (Loss) before Depreciation | 898,444 | 573,336 | 325,108 |
| | | | |
| Depreciation & Amortization Expense | 5,385,828 | 6,644,362 | (1,258,534) |
| | | | |
| Net Operating Income / (Loss) | (4,487,384) | (6,071,026) | 1,583,642 |
| | | | |
| Other Revenues (Expenses) | 3,047,713 | 3,031,163 | 16,550 |
| | | | |
| Change in Net Position | $ (1,439,671) | $ (3,039,863) | $ 1,600,192 |

## Operating Income

At June 30, 2017, the District reported operating income before depreciation of $898,444, which exceeded budget ($573,336) by $325,108. Included in operating income before depreciation was pension expense of $1,044,609.

### Actual Financial Results – FY17 FY 16 & FY15 Revenue, Expense and Change in Net Position

Table VII compares actual operating revenue, operating expense, and the change in net position for Fiscal Years 2017, 2016 & 2015.

**Table VII**

| | FY 2017 Actual | FY 2016 Actual | FY 2015 Actual |
|---|---|---|---|
| **Operating Revenue** | | | |
| Commercial Aviation - Fees | $ 815,305 | $ 708,933 | $ 689,318 |
| General Aviation - Fees | 366,773 | 372,105 | 327,355 |
| Terminal Concessions and Leases | 4,165,518 | 3,959,173 | 3,921,487 |
| Heavy General Aviation | 1,050,727 | 1,012,672 | 973,230 |
| Light General & Other Aviation Tenants | 447,714 | 442,373 | 432,064 |
| Non-Aviation Tenants | 1,729,424 | 1,659,911 | 1,658,366 |
| Other Operating Revenue | 409,488 | 441,848 | 349,480 |
| Total Operating Revenue | 8,984,949 | 8,597,015 | 8,351,300 |
| **Operating Expense** | | | |
| Finance & Administration | 2,053,315 | 1,906,844 | 2,077,095 |
| Planning & Development | 386,691 | 495,968 | 404,446 |
| Maintenance & Custodial Services | 1,375,949 | 1,391,462 | 1,327,588 |
| Airport Operations | 543,277 | 530,186 | 511,290 |
| Police Department | 1,365,654 | 1,620,498 | 1,320,157 |
| ARFF Services | 2,256,741 | 1,748,566 | 1,818,645 |
| Board of Directors | 104,878 | 108,618 | 192,796 |
| Total Operating Expense | 8,086,505 | 7,802,142 | 7,652,017 |
| **Operating Income / (Loss) before Depreciation** | 898,444 | 794,873 | 699,283 |
| Depreciation & Amortization Expense | 5,385,828 | 4,974,057 | 5,363,050 |
| **Net Operating Income / (Loss)** | (4,487,384) | (4,179,184) | (4,663,767) |
| **Other Revenue (Expense)** | 3,047,713 | 17,693,995 | 27,144,819 |
| **Change in Net Position** | $ (1,439,671) | $ 13,514,811 | $ 22,481,052 |

## Capital and Debt Activity

Total District assets are $83,478,757, deferred outflows of resources are $1,569,047, total liabilities are $12,086,624 and deferred inflows of resources are $1,051,203, the difference is $71,909,977. The debt-to-equity ratio (2.4%) is favorable because the Airport's long-term debt is small ($1,706,000). The current ratio is 4.23. The District has financed its airport capital improvements by aggressively pursuing FAA Airport Improvement Program (AIP) grants to fund its capital projects. Capital assets, net of depreciation, and intangible assets, net of amortization, are presented below:

**Table VIII**

| Tangible assets, net | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Tangible assets, net** | | | |
| Land | $ 1,784,717 | $ 1,784,717 | $ 1,784,717 |
| Land Improvements | 60,632,292 | 11,522,354 | 13,944,713 |
| Buildings | 7,031,086 | 7,938,587 | 9,104,541 |
| Furniture, equipment and vehicles | 720,451 | 657,501 | 847,012 |
| Construction in progress | 3,438,984 | 53,531,160 | 36,498,004 |
| Total | 73,607,530 | 75,434,319 | 62,178,987 |
| **Intangible assets, net** | 1,500,282 | 2,299,793 | 3,411,123 |
| Total capital assets - net | $ 75,107,812 | $ 77,734,112 | $ 65,590,110 |

## Debt

The Monterey Peninsula Airport District 2012 Taxable Pension Obligation Bond was issued on June 27, 2012. The bond's par value, coupon rate, and terms are $3,077,000, 4.40% and 10 years, respectively. Bond proceeds were used to eliminate the "side accounts" associated with the District's CalPERs pension obligations and employer retirement expense rates. Additional information pertaining to this bond can be found in the notes to the financial statements.

On May 22, 2017, the Monterey Peninsula Airport District received a $3,000,000, 1% and 16.1-year California Energy Commission loan to finance development of a 1.51M kWh solar farm on airport property. The California Energy Commission loan will be repaid through the Airport's electricity savings earned from the solar farm. The solar farm will be operational in early FY18.

## Future Impact

District and Management Focus

The District's FY17 positive operational and financial performance were a direct result of changes implemented by the District's Board of Directors and Executive Management of the Airport. Further development of community awareness of the Airport's services and working with commercial air service providers to increase available flights has been a continuing focus of the District. Along with increasing services is the desire to improve the airports infrastructure to support increased capacity and utility to customers. To meet the Airport's capacity goals a Master Plan (Plan) was introduced in late FY16 and Executive Management has been focused on executing the Plan. The following are some of the events occurring during FY17 which are positioning the Airport for new services and growth.

Commercial Air Service and Concessions

During FY17 the airlines continued the shift from smaller 50 seat aircraft to the larger 70 plus seat aircraft to meet current demand. Airline flights and load factors increased from FY16 to FY17, resulting in a 10.1% increase in passenger enplanements, and associated landing weights and revenues followed. The Airport's hub service to San Francisco, Los Angeles and Phoenix are working well. Customers continue to be interested in direct flights to the cities of Denver, Dallas and Salt Lake. Executive Management is focused on working with commercial air service providers to obtain new flights/routes to those major hub airports. The District is planning to file for a U.S. Department of Transportation matching grant to fund an air service provider's start-up costs for developing new flights/routes.

The District's commercial successes have been built on the local community's (travelers and businesses) demand for commercial air service. Just over 55.4% of the Airport's operating revenues are collected from the airlines that pay user fees and concessions that provide services to the passengers. To further promote demand to commercial air service providers, locally based business associations, with support from the District, founded "Team Fly Monterey." Team Fly Monterey's goal is to develop traveler and destination customer awareness in the Airport's services and represent the community in air service development discussions.

General Aviation

Heavy and Light general aviation flights increased 43.6% in total operations from FY16 to FY17. Heavy general aviation, started to rebound in FY14, continued the trend in FY17 with a 3% increase in combined landing and fuel fees. However, FY17 light general aviation space and hangar rentals remained flat compared to FY16 and this trend is expected to continue in FY18.

Non-Aviation and Other Operating Services

Non-Aviation and Other Operating Revenues (NAOO) increased 5.6% from FY16 to FY17. Most of this increase came from new leases and higher occupancy in tenant operated leaseholds. The District does not expect NAOO revenues to increase in FY18. During FY18 the District is working with potential tenants on plans to develop and lease properties around the Airport. When the property is developed and new leases are executed the District would expect an increase in NAOO in FY19.

Given the historical performance data and current economic indicators, the current conservative forecast for FY18 is for financial results very similar to FY17. Most Rates and Charges adopted for FY18 were left unchanged from FY17. Only RV tenant rents and utilities fees were increased to reflect market changes.

**Future Impact** (Continued)

Airport Infrastructure

To improve the Airport Infrastructure the District has authorized the Executive Director to pursue grants and make capital investments in FY17 and FY18. The follow is a summary of two significant capital projects.

- 1.54M kWh Solar Farm Development – To control electricity costs the District authorized the $2.9M development of a 3-acre solar farm with financing from the California Entergy Commission. The solar farm will be operational in FY18.

- Airfield Electrical Vault Replacement and Runway Lighting Upgrades – The District's airfield electrical vault is past its useful life and runway lights and wiring are failing. Both systems need to be replaced and the District authorized the Executive Director to pursue a FAA grant and estimates for these projects. Airfield Electrical Vault Replacement and Runway Lighting Upgrades are expected to be completed is late FY18.

**Requests for Information**

This financial report has been designed to provide a general overview of the District's accounting for anyone interested in its finances. Questions concerning any of the information should be addressed to the attention of the Executive Director, Monterey Peninsula Airport District, 200 Fred Kane Drive, Suite 200, Monterey, CA 93940.

## MONTEREY PENINSULA AIRPORT DISTRICT
## Statements of Net Position
## June 30, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Unrestricted: | | |
| Cash and cash equivalents (Note 2) | $ 1,470,022 | $ 1,030,797 |
| Investments (Note 2) | 4,278,211 | 2,945,078 |
| Accounts receivable, net | 653,733 | 1,970,315 |
| Interest receivable | 11,548 | 8,139 |
| Prepaid and other assets | 99,681 | 247,912 |
| Total unrestricted current assets | 6,513,195 | 6,202,241 |
| Restricted: | | |
| Cash and cash equivalents (Note 2) | 1,320,103 | 866,239 |
| Investments (Note 2) | 537,647 | 333,363 |
| Total current assets | 8,370,945 | 7,401,843 |
| Capital assets (Note 3) | | |
| Nondepreciable | 5,223,701 | 55,315,877 |
| Depreciable, net | 69,884,111 | 22,418,235 |
| Total capital assets, net | 75,107,812 | 77,734,112 |
| Total assets | 83,478,757 | 85,135,955 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred pension contributions (Note 7) | 1,569,047 | 543,750 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accrued liabilities (Note 4) | 1,284,976 | 1,716,584 |
| Unearned revenues | 21,471 | 71,540 |
| Accrued compensated absences (Note 5) | 21,756 | 22,474 |
| Due to the City of Monterey (Notes 5 and 10) | 19,966 | 19,966 |
| Pension obligation bond payable, current portion (Note 5) | 312,000 | 299,000 |
| Funds held in trust | 141 | 141 |
| Total current liabilities | 1,660,310 | 2,129,705 |
| Noncurrent liabilities: | | |
| Security deposits | 411,835 | 338,136 |
| Unearned revenues - rent received in advance from tenants | 277,305 | 286,182 |
| Accrued compensated absences, net of current portion (Note 5) | 215,740 | 183,668 |
| Due to the City of Monterey, net of current portion (Notes 5 and 10) | 99,831 | 119,797 |
| Pension obligation bonds payable, net of current portion (Note 5) | 1,394,000 | 1,706,000 |
| Net pension liability (Note 7) | 7,660,368 | 5,890,721 |
| OPEB liability (Note 8) | 367,235 | 366,455 |
| Total noncurrent liabilities | 10,426,314 | 8,890,959 |
| Total liabilities | 12,086,624 | 11,020,664 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflows of resources related to pensions (Note 7) | 1,051,203 | 1,309,393 |
| **NET POSITION** | | |
| Net investment in capital assets | 74,128,727 | 76,218,198 |
| Restricted - unspent Passenger Facilities Charges | 1,416,809 | 824,931 |
| Unrestricted | (3,635,559) | (3,693,481) |
| Total net position | $ 71,909,977 | $ 73,349,648 |

The accompanying notes are an integral part to these basic financial statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**
**Statements of Revenues, Expenses and Changes in Net Position**
**For the Years Ended June 30, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Commercial aviation | $ 815,305 | $ 708,933 |
| General aviation | 366,773 | 372,105 |
| Terminal leases and concessions | 4,165,518 | 3,959,103 |
| Heavy general aviation | 1,050,727 | 1,012,672 |
| Light general aviation and other aviation tenants | 447,714 | 442,373 |
| Non-aviation tenants | 1,729,424 | 1,659,911 |
| Other operating revenue | 409,488 | 441,918 |
| Total operating revenues | 8,984,949 | 8,597,015 |
| **OPERATING EXPENSES** | | |
| Finance and administration | 2,053,315 | 1,906,844 |
| Planning and development | 386,691 | 495,968 |
| Maintenance and custodial services | 1,375,949 | 1,391,462 |
| Airport operations | 543,277 | 530,186 |
| Police department | 1,365,654 | 1,620,498 |
| Fire department | 2,256,741 | 1,748,566 |
| Board of Directors | 104,878 | 108,618 |
| Depreciation and amortization | 5,385,828 | 4,974,057 |
| Total operating expenses | 13,472,333 | 12,776,199 |
| Operating loss | (4,487,384) | (4,179,184) |
| **NONOPERATING REVENUES AND (EXPENSES)** | | |
| Passenger Facility Charges | 827,800 | 756,914 |
| Operating grants | 126,080 | 154,536 |
| Investment income | 20,203 | 66,178 |
| Interest expense | (84,922) | (97,658) |
| Total nonoperating revenues (expenses) | 889,161 | 879,970 |
| **CAPITAL CONTRIBUTIONS** | | |
| Grants from government agencies | 2,158,552 | 16,814,025 |
| Change in net position | (1,439,671) | 13,514,811 |
| **NET POSITION** | | |
| Beginning of year | 73,349,648 | 59,834,837 |
| End of year | $ 71,909,977 | $ 73,349,648 |

The accompanying notes are an integral part to these basic financial statements.

## MONTEREY PENINSULA AIRPORT DISTRICT
## Statements of Cash Flows
## For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | $ 9,022,057 | $ 8,645,494 |
| Payments to vendors | (3,692,676) | (4,252,648) |
| Payments for employees pension benefits | 486,160 | 94,826 |
| Payments to employees | (4,128,209) | (3,896,516) |
| Net cash provided by operating activities | 1,687,332 | 591,156 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Interest paid on long-term debt | (84,922) | (97,658) |
| Principal payments on long-term debt | (299,000) | (286,000) |
| Proceeds from operating grants | 126,080 | 154,536 |
| Net cash used in noncapital financing activities | (257,842) | (229,122) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from capital grants and Passenger Facilities Charges | 4,280,579 | 19,572,477 |
| Acquisition of capital assets | (3,296,357) | (19,127,479) |
| Net cash provided by capital and related financing activities | 984,222 | 444,998 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment income received | 16,794 | 64,131 |
| Investments matured | (1,537,417) | (1,371,532) |
| Net cash used in investing activities | (1,520,623) | (1,307,401) |
| Net change in cash and cash equivalents | 893,089 | (500,369) |
| Cash and cash equivalents, beginning of year | 1,897,036 | 2,397,405 |
| Cash and cash equivalents, end of year | $ 2,790,125 | $ 1,897,036 |
| Reconciliation of operating loss to net cash provided by operating activities: | | |
| Operating loss | $ (4,487,384) | $ (4,179,184) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,385,828 | 4,974,057 |
| (Increase) decrease in: | | |
| Accounts receivable | 34,899 | 38,231 |
| Prepaid and other current assets | 148,231 | (189,183) |
| Increase (decrease) in: | | |
| Accrued liabilities | 105,221 | (105,071) |
| Unearned revenues | (71,490) | (11,177) |
| Accrued compensated absences | 31,354 | (35,005) |
| Due to the City of Monterey | (19,966) | (19,966) |
| Security deposits | 73,699 | 21,425 |
| OPEB liability | 780 | 2,203 |
| Net pension liability and related pension deferred outflows and inflows of resources | 486,160 | 94,826 |
| Net cash provided by operating activities | $ 1,687,332 | $ 591,156 |

The accompanying notes are an integral part to these basic financial statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**
**Statements of Cash Flows (Continued)**
**For the Years Ended June 30, 2017 and 2016**

| | 2017 | 2016 |
|---|---|---|
| Non-cash capital and related financing activities: | | |
| Acquisition of capital assets in accrued liabilities | $ 979,085 | $ 1,515,914 |
| **STATEMENT OF NET POSITION** | | |
| **CLASSIFCATION OF CASH AND CASH EQUIVALENTS:** | | |
| Unrestricted | $ 1,470,022 | $ 1,030,797 |
| Restricted | 1,320,103 | 866,239 |
| Total cash and cash equivalents | $ 2,790,125 | $ 1,897,036 |

The accompanying notes are an integral part to these basic financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *(a) Reporting Entity*

The Monterey Peninsula Airport District (District) was established under the provisions of Article 133 of the General Law of the State of California on March 22, 1941, for the purpose of operating and maintaining a public airport. Originally, it consisted of 37 acres, which were contributed to the District by the City of Monterey. The District has acquired additional land through grants and purchases in subsequent years and now totals 501 acres. For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the District's Board of Directors. There are no component units considered for inclusion in the District's financial reporting entity.

### *(b) Measurement Focus and Basis of Accounting*

The District's financial activities are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues generally result from providing services and producing and delivering goods in connection with an organization's principal ongoing operations. The principal operating revenues of the District are charges to airlines, concessionaires, parking and property rental. Operating expenses of the District include personnel costs, administrative expenses and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as needed.

### *(c) Cash and Cash Equivalents*

For purposes of the statements of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### *(d) Investments*

The District reports its investments at fair value in the accompanying financial statements and the corresponding change in fair value of investments is reported in the year in which the change occurs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The District invests its surplus cash in certificates of deposits with original maturity dates of three months or longer and obligations of the State Treasurer's Local Agency Investment Fund (LAIF).

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(e) Receivables*

Receivables from tenants are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. The allowance is estimated using historical collection experience as well as management's judgment about collectability of individual receivables. The allowance at both June 30, 2017 and 2016 was $10,000.

### *(f) Prepaid Expenses*

Prepaid amounts are allocated to expense prorated in the periods in which the benefit is received.

### *(g) Capital Assets*

Capital assets are stated at historical cost, or estimated historical cost if actual historical cost is not available. Gifts or contributions of such assets are stated at estimated fair value on the date received. The District's policy is to capitalize assets with a value in excess of $5,000 for furniture, equipment and vehicles and $25,000 for land, facilities and improvements.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

| | |
|---|---|
| Land improvements | 10 - 40 years |
| Facilities and improvements | 10 - 40 years |
| Furniture, equipment and vehicles | 3 - 20 years |

Intangible assets include the District's logo, noise study, master plan update and easements related to soundproofing of neighboring residences. These have been amortized on the straight-line basis over the estimated useful lives of the assets which are 10 – 40 years. Depreciation is not provided on construction-in-progress until construction is complete and the asset is placed in service.

### *(h) Employee Benefits*

Fringe benefits such as pension, health insurance, dental insurance, vision insurance, and paid-time-off, are provided to employees per the District's current human resources policies or as determined by respective agreements between the District and the respective employees' collective bargaining agreements.

### *(i) Accrued Compensated Absences*

The District's personnel policy provides full-time employees with vacation and sick leave in varying amounts, and at termination or retirement, employees are paid for accumulated (vested) vacation. Employees are paid up to a maximum of one month's salary for accumulated sick leave upon retirement; employees separated under circumstances other than retirement are not paid for accumulated sick leave. Accordingly, compensation for vacation and sick leave is charged to expense as earned by the employee, and accumulated, unpaid vacation and sick leave, which is payable upon an employee's termination or retirement, is recorded as a liability.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(j) Unearned Revenues*

Unearned revenues represent amounts collected before year-end, which were not earned as of year-end.

### *(k) Deferred Outflows and Inflows of Resources*

Deferred outflows and inflows resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense. Excluding deferred pension contributions, the remaining pension related deferred outflows and inflows of resources are amortized over the remaining expected average remaining service lifetime (approximately four years) or five years, depending on the nature of items.

### *(l) Net Position*

Net position comprises the various accumulated net earnings from operating income or losses, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position as the unspent proceeds.

*Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position represents unspent Passenger Facility Charges (PFC), which are restricted by enabling legislation.

*Unrestricted* - This component represents net position that does not meet the definition of "restricted" or "net investment in capital assets."

### *(m) Passenger Facility Charges*

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act, which authorized domestic airports to impose a PFC on enplaning passengers. In May 1991, the Federal Aviation Administration (FAA) issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects which meet at least one of the following criteria: preserve or enhance safety, security or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport, or furnished opportunities for enhanced competition between or among carriers.

The District was granted permission to begin collection of a $3 PFC effective January 1, 1994. The charges, less an administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the District. Effective July 27, 2001, the District received approval from the FAA to increase the PFC charge to $4.50 per enplaned passenger.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(m) Passenger Facility Charge (continued)*

Pursuant to governmental accounting standards, the District records PFCs as nonoperating revenue. The fees are reserved for specific purposes as defined in the approval letter received from the FAA's administrator. The District's applications for PFCs were approved as impose and use. It is the position of the District that these receipts should be recognized immediately.

### *(n) Operating Grants and Capital Contributions*

Certain expenditures for airport capital improvements, airport safety and security operations, are significantly funded through the Airport Improvement Program (AIP) of the FAA and Transportation Security Administration (TSA), with certain matching funds provided by the District. Funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants awarded by TSA to reimburse certain police department's costs are reported in the statement of revenues, expenses and changes in net position as nonoperating revenues. For the years ended June 30, 2017 and 2016, the District requested and received $126,080 and $154,536 , respectively, as reimbursement of certain police department costs. Grants for capital asset acquisition, facility development and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses. For the years ended June 30, 2017 and 2016, the District recognized $2,133,438 and $16,798,453, respectively, as capital contributions funded by AIP grants.

### *(o) Use of Estimates*

Management of the District has made certain estimates and assumptions relating to the reporting of assets, deferred outflows of resources, liabilities, deferred inflows of resources and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Actual results may differ from those estimates.

### *(p) Reclassifications and Presentation*

Certain reclassifications of prior year's balances have been made to conform with the current year presentation. The reclassifications have no effect on the financial position, results of operations or cash flows.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(q) New Accounting Standards Adopted*

During the year ended June 30, 2017, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement during the year ended June 30, 2017 did not have a material effect on the District’s basic financial statements.

### *(r) New Accounting Standards To Be Implemented*

The Distirct is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is intended to make OPEB accounting and financial reporting consistent with the pension standards outlined in GASB Statement No. 68. This will include recognizing a net OPEB liability in accrual-basis financial statements. This statement is effective for fiscal years beginning after June 15, 2017. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45.

GASB Statement No. 85, *Omnibus 2017*, addresses practical issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, pensions and other postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, increases the usefulness of government' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The statement is effective for fiscal years beginning after December 15, 2019.

## NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017 and 2016 comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| Unrestricted: | | |
| Deposits with banks | $ 1,470,022 | $ 1,030,797 |
| Investments | 4,278,211 | 2,945,078 |
| Total unrestricted | 5,748,233 | 3,975,875 |
| Restricted: | | |
| Deposits with banks | 1,320,103 | 866,239 |
| Investments | 537,647 | 333,363 |
| Total restricted | 1,857,750 | 1,199,602 |
| Total cash and investments | $ 7,605,983 | $ 5,175,477 |

### *(a) Custodial Credit Risk – Deposits and Investments*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. However, the District follows the California Government Code, which requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy contains legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

## NOTE 2 – CASH AND INVESTMENTS (Continued)

### *(b) Investments Permitted*

The table below identifies the investment types that are authorized for the District by the California Government Code 53601 or the District's Investment Policy, where the policy is more restrictive. The District's Investment Policy is more restrictive than the California Government Code in that the allowed investments are with the State of California's Local Agency Investment Fund and certificates of deposits, and may not exceed $250,000 per institution in order that the principal remain fully insured by the federal government. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of Portfolio* | Maximum Investment In One Issuer |
|---|---|---|---|
| FDIC Insured Negotiable and Nonnegotiable Certificates of Deposit | 5 Year | None | $250,000 per institution |
| State of California Local Agency Investment Fund (LAIF) | N/A | None | None |

* Excludes amounts held by fiscal agents that are not subject to California Government Code restrictions.

### *(c) Investments*

The following is a summary of the District's investments at June 30, 2017:

| | Fair Value | (Maturities in Years) Less than 1 | 1 - 5 | Credit Ratings (Standard & Poor's) |
|---|---|---|---|---|
| Negotiable certificates of deposits | $ 2,510,616 | $ 198,105 | $ 2,312,511 | Not rated |
| Local Agency Investment Fund | 2,305,242 | 2,305,242 | - | Not rated |
| Total investments | $ 4,815,858 | $ 2,503,347 | $ 2,312,511 | |

The following is a summary of the District's investments at June 30, 2016:

| | Fair Value | (Maturities in Years) Less than 1 | 1 - 5 | Credit Ratings (Standard & Poor's) |
|---|---|---|---|---|
| Negotiable certificates of deposits | $ 1,989,876 | $ 322,478 | $ 1,667,398 | Not rated |
| Local Agency Investment Fund | 1,288,565 | 1,288,565 | - | Not rated |
| Total investments | $ 3,278,441 | $ 1,611,043 | $ 1,667,398 | |

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

***(c) Investments (Continued)***

The District is a voluntary participant in the LAIF that is governed by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute. The fair value of the District's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the District's position in the LAIF pool. LAIF is not rated by rating agencies. The weighted average maturity of LAIF at June 30, 2017 and 2016 was 194 and 167 days, respectively.

As of June 30, 2017 and 2016, the District had unrestricted cash and investment of $2,305,242 and $1,288,565, respectively invested in LAIF, which had invested 2.89% and 2.81% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money investment Account (PMIA). PMIA has a total of $75.9 billion and $75.4 billion in its investment portfolio as of June 30, 2017 and 2016, respectively. The District valued its investments in LAIF as of June 30, 2017 and 2016, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs resulting in a factor of 0.998940671 and 1.000621222 as of June 30, 2017 and 2016, respectively.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District does not have any of its investments using level 1 and 3 inputs.

The District's investments in negotiable certificates of deposits are classified in Level 2 of the fair value hierarchy and are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The District's investment in LAIF is exempt from the fair value hierarchy.

***(d) Restricted Cash and Investments***

At June 30, 2017 and 2016, cash were restricted for the following:

| | June 30, 2017 | | | June 30, 2016 | | |
|---|---|---|---|---|---|---|
| | **Cash in Bank** | **Investment** | **Total** | **Cash in Bank** | **Investment** | **Total** |
| Security deposits from tenants | $ 406,247 | $ - | $ 406,247 | $ 321,541 | $ - | $ 321,541 |
| Passenger facility charge program | 875,303 | 537,647 | 1,412,950 | 517,345 | 333,363 | 850,708 |
| Debt service | 38,553 | - | 38,553 | 27,353 | - | 27,353 |
| Total restricted cash and investments | $ 1,320,103 | $ 537,647 | $ 1,857,750 | $ 866,239 | $ 333,363 | $ 1,199,602 |

## NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

| | Balance July 1, 2016 | Additions/ Transfers | Disposals/ Transfers | Balance June 30, 2017 |
|---|---|---|---|---|
| *Capital assets, not being depreciated*: | | | | |
| Land | $ 1,784,717 | $ - | $ - | $ 1,784,717 |
| Construction in progress | 53,531,160 | 2,759,528 | (52,851,704) | 3,438,984 |
| Total capital assets, not being depreciated | 55,315,877 | 2,759,528 | (52,851,704) | 5,223,701 |
| *Capital assets, being depreciated/amortized:* | | | | |
| Intangible assets | 21,909,735 | - | - | 21,909,735 |
| Land improvements | 31,715,657 | 52,472,546 | - | 84,188,203 |
| Buildings and improvements | 21,051,483 | 48,284 | - | 21,099,767 |
| Furniture, equipment and vehicles | 3,697,284 | 330,874 | - | 4,028,158 |
| Total capital assets, being depreciated | 78,374,159 | 52,851,704 | - | 131,225,863 |
| *Less accumulated depreciation/amortization* | | | | |
| Intangible assets | (19,609,942) | (799,511) | - | (20,409,453) |
| Land improvements | (20,193,303) | (3,362,608) | - | (23,555,911) |
| Buildings and improvements | (13,112,896) | (955,785) | - | (14,068,681) |
| Furniture, equipment and vehicles | (3,039,783) | (267,924) | - | (3,307,707) |
| Less accumulated depreciation | (55,955,924) | (5,385,828) | - | (61,341,752) |
| Total capital assets, being depreciated, net | 22,418,235 | 47,465,876 | - | 69,884,111 |
| Total capital assets, net | $ 77,734,112 | $ 50,225,404 | $ (52,851,704) | $ 75,107,812 |

Construction in progress activity for the year ended June 30, 2017 was as follows:

| Projects | | Balance July 1, 2016 | Additions/ Transfers | Completed Transferred to Depreciable | Balance June 30, 2017 |
|---|---|---|---|---|---|
| 2012-01 | Runway Safety Area - Construction | $ 30,868,872 | $ (1,408,672) | $ (29,460,200) | $ - |
| 2013-02 | Airport Master Plan | 1,166,458 | 10,816 | - | 1,177,274 |
| 2014-01 | RSA - Construction Phase 2 | 21,306,682 | 1,689,821 | (22,996,503) | - |
| 2015-03 | Infield Safety Area Rehabilitation - Phase 1 | 162,164 | 72,845 | - | 235,009 |
| 2016-01 | NEPA/CEQA Safety Initiative | 4,850 | 1,048,956 | - | 1,053,806 |
| 2016-02 | Solar Panel Array Study | 2,678 | 686,115 | - | 688,793 |
| 2017-01 | Commercial Facilities Mower | 17,713 | - | (17,713) | - |
| 2017-02 | Runway Paint Machine | - | 40,265 | (40,265) | - |
| 2017-03 | Inside Terminal Refresh/Furniture | - | 32,294 | (32,294) | - |
| 2017-05 | Airfield Runway Sweeper | 1,743 | 271,155 | (272,898) | - |
| 2017-06 | Airfield Electrical Vault Upgrade | - | 244,733 | - | 244,733 |
| 2017-07 | FAA Disparity Study | - | 706 | - | 706 |
| 2017-10 | Building 514 Roof Repair | - | 34,313 | - | 34,313 |
| 2017-11 | Fred Kane Drive Road Repair | - | 31,831 | (31,831) | - |
| 2017-12 | DB500 Mobile Paint Removel System | - | 4,350 | - | 4,350 |
| | Total | $ 53,531,160 | $ 2,759,528 | $ (52,851,704) | $ 3,438,984 |

## NOTE 3 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2016 was as follows:

| | July 1, 2015 | Additions/ Transfers | Disposals/ Transfers | June 30, 2016 |
|---|---|---|---|---|
| *Capital assets, not being depreciated*: | | | | |
| Land | $ 1,784,717 | $ - | $ - | $ 1,784,717 |
| Construction in progress | 36,498,003 | 17,118,059 | (84,902) | 53,531,160 |
| Total capital assets, not being depreciated | 38,282,720 | 17,118,059 | (84,902) | 55,315,877 |
| *Capital assets, being depreciated/amortized:* | | | | |
| Intangible assets | 21,909,735 | - | - | 21,909,735 |
| Land improvements | 31,715,657 | - | - | 31,715,657 |
| Buildings and improvements | 21,051,483 | - | - | 21,051,483 |
| Furniture, equipment and vehicles | 3,612,382 | 84,902 | - | 3,697,284 |
| Total capital assets, being depreciated | 78,289,257 | 84,902 | - | 78,374,159 |
| *Less accumulated depreciation/amortization* | | | | |
| Intangible assets | (18,498,612) | (1,111,330) | - | (19,609,942) |
| Land improvements | (17,770,943) | (2,422,360) | - | (20,193,303) |
| Buildings and improvements | (11,946,939) | (1,165,957) | - | (13,112,896) |
| Furniture, equipment and vehicles | (2,765,373) | (274,410) | - | (3,039,783) |
| Less accumulated depreciation | (50,981,867) | (4,974,057) | - | (55,955,924) |
| Total capital assets, being depreciated, net | 27,307,390 | (4,889,155) | - | 22,418,235 |
| Total capital assets, net | $ 65,590,110 | $ 12,228,904 | $ (84,902) | $ 77,734,112 |

Construction in progress activity for the year ended June 30, 2016 was as follows:

| Projects | | Balance July 1, 2015 | Additions | Completed Transferred to Depreciable | Balance June 30, 2016 |
|---|---|---|---|---|---|
| 2012-01 | Runway Safety Area - Construction | $ 29,750,165 | $ 1,118,707 | $ - | $ 30,868,872 |
| 2013-02 | Airport Master Plan | 920,917 | 245,541 | - | 1,166,458 |
| 2014-01 | RSA - Construction Phase 2 | 5,820,978 | 15,485,704 | - | 21,306,682 |
| 2015-03 | Infield Safety Area Rehabilitation - Phase 1 | 5,943 | 156,221 | - | 162,164 |
| 2016-01 | NEPA/CEQA Safety Initiative | - | 4,850 | - | 4,850 |
| 2016-02 | Solar Panel Array Study | - | 2,678 | - | 2,678 |
| 2016-03 | 2015 Chevrolet 3/4T 4WD Truck - Utility | - | 38,196 | (38,196) | - |
| 2016-04 | 2015 Chevrolet 1/2T 4WD Truck | - | 28,397 | (28,397) | - |
| 2016-05 | 2016 GEM eL XD Electric Cart | - | 18,309 | (18,309) | - |
| 2017-01 | Commercial Facilities Mower | - | 17,713 | - | 17,713 |
| 2017-05 | Airfield Runway Sweeper | - | 1,743 | - | 1,743 |
| | Total | $ 36,498,003 | $ 17,118,059 | $ (84,902) | $ 53,531,160 |

## NOTE 3 – CAPITAL ASSETS (Continued)

At June 30, 2017 and 2016, intangible assets consist of the following:

| | 2017 | 2016 |
|---|---|---|
| Noise safety study and sound proofing easements | $ 21,549,356 | $ 21,549,356 |
| Master plan | 208,440 | 208,440 |
| Wildlife hazard assessment plan | 151,939 | 151,939 |
| Total intangible assets, gross | 21,909,735 | 21,909,735 |
| Less accumulated amortization | (20,409,453) | (19,609,942) |
| Total intangible assets, net | $ 1,500,282 | $ 2,299,793 |

## NOTE 4 – ACCRUED LIABILITIES

At June 30, 2017 and 2016, accrued liabilities consist of the following:

| | 2017 | 2016 |
|---|---|---|
| Accrued employee benefits | $ 36,235 | $ 34,607 |
| Other accrued expenses | 1,248,741 | 1,681,977 |
| Total accrued liabilities | $ 1,284,976 | $ 1,716,584 |

## NOTE 5 – LONG-TERM OBLIGATIONS

A summary of the changes in long-term obligations for the year ended June 30, 2017 is as follows:

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Due in One Year |
|---|---|---|---|---|---|
| Accrued compensated absences | $ 206,142 | $ 69,524 | $ (38,170) | $ 237,496 | $ 21,756 |
| Due to the City of Monterey (Note 10) | 139,763 | - | (19,966) | 119,797 | 19,966 |
| Pension obligation bonds | 2,005,000 | - | (299,000) | 1,706,000 | 312,000 |
| Total | $ 2,350,905 | $ 69,524 | $ (357,136) | $ 2,063,293 | $ 353,722 |

A summary of the changes in long-term obligations for the year ended June 30, 2016 is as follows:

| | Balance July 1, 2015 | Additions | Reductions | Balance June 30, 2016 | Due in One Year |
|---|---|---|---|---|---|
| Accrued compensated absences | $ 241,147 | $ 51,955 | $ (86,960) | $ 206,142 | $ 22,474 |
| Due to the City of Monterey (Note 10) | 159,729 | - | (19,966) | 139,763 | 19,966 |
| Pension obligation bonds | 2,291,000 | - | (286,000) | 2,005,000 | 299,000 |
| Total | $ 2,691,876 | $ 51,955 | $ (392,926) | $ 2,350,905 | $ 341,440 |

## NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

**Pension Obligation Bonds** – On June 27, 2012, the District issued Taxable Pension Obligation Bonds for the purpose of refinancing the outstanding "side fund" obligations in the amount of $3,077,000 with an interest rate of 4.40% per annum. The bonds are subject to mandatory redemption every six months as set forth in the Indenture of Trust. This obligation was incurred to retire a previously unrecorded liability between the District's funded status of the CalPERS plan versus the funded status of the entire risk pool.

The future debt service requirements for the pension obligation bonds at June 30, 2017 are as follows:

| Year | Principal | Interest | Total Requirement |
|---|---|---|---|
| 2018 | $ 312,000 | $ 71,632 | $ 383,632 |
| 2019 | 326,000 | 57,750 | 383,750 |
| 2020 | 341,000 | 43,230 | 384,230 |
| 2021 | 356,000 | 28,072 | 384,072 |
| 2022 | 371,000 | 12,254 | 383,254 |
| Total | $ 1,706,000 | $ 212,938 | $ 1,918,938 |

**Line of Credit** – In July 2014, the District entered into a revolving line of credit note with a bank for short-term financing purposes. The line of credit provides a maximum amount of $500,000 and has a fluctuating interest rate equal to the greater of (a) the Prime Rate plus 0.500% per annum, adjusted daily, or (b) 4.000% per annum. The line of credit expired on June 30, 2017. There was no amount outstanding on the line of credit at either June 30, 2017 or 2016, and it was not renewed.

**California Energy Commission (CEC) Solar Array Loan -** In May 2017, the Monterey Peninsula Airport District received a construction loan from the CEC to assist in the development of a 3-acre solar farm to power the Districts operations. The CEC construction loan provided a maximum amount of $3,000,000 at 1.00% per annum for a period of 16.1 years. The loan is on a reimbursement basis and as of June 30, 2017, there have been no reimbursements received or requested for. The CEC loan will be repaid through the Airport's electricity savings earned from the solar farm. The solar farm will be operational in early FY18. See Note 11.

## NOTE 6 – OPERATING LEASES

A significant portion of the District's revenue comes from operating leases of which the District is the lessor. The District leases parts of the terminal building, parking areas, north side buildings, land, hangars and ramps to various businesses and individuals under long-term leases with terms from 5 – 60 years. Rental revenues from these operating leases were $2,013,713 and $2,190,493, included in terminal leases and concessions, for the fiscal years ended June 30, 2017 and 2016, respectively. The cost of property held for leasing is not readily determinable.

Future minimum rentals on noncancelable leases as of June 30, 2017 are as follows:

| | |
|---|---|
| 2018 | $ 2,237,683 |
| 2019 | 2,282,439 |
| 2020 | 2,104,673 |
| 2021 | 2,131,388 |
| 2022 | 2,174,015 |
| 2023 - 2027 | 10,996,011 |
| 2028 - 2032 | 11,521,033 |
| 2033 - 2037 | 11,353,442 |
| 2038 - 2042 | 12,027,506 |
| 2043 - 2047 | 10,010,297 |
| 2048 - 2052 | 2,008,416 |
| 2053 - 2057 | 699,118 |
| Total | $ 69,546,021 |

## NOTE 7 – PENSION PLAN

***Plan Description*** - All full-time and certain other qualifying employees of the District are eligible to participate in the Public Employees' Retirement Fund of the State of California's Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer plan. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CalPERS provides retirement, disability and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by District resolution.

The State of California passed the California Employee's Pension Reform Act (PEPRA) which became effective on January 1, 2013. PEPRA changes included the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

The District participates in five separate cost-sharing multiple-employer plans with CalPERS: Safety Fire, Safety Police, Miscellaneous, PEPRA Miscellaneous and PEPRA Police, collectively the Plans.

***Benefits Provided –*** CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specific by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017 and 2016, are summarized as follows:

| | Fire | Police | PEPRA Police | Misc | PEPRA Misc |
|---|---|---|---|---|---|
| Hire date | Prior to 1/1/2013 | Prior to 1/1/2013 | On/after 1/1/2013 | Prior to 1/1/2013 | On/after 1/1/2013 |
| Benefit formula | 3% @ 50 | 3% @ 50 | 2.7% @ 57 | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 & Up | 50 & Up | 57 & Up | 50-63 & Up | 62 & Up |
| Monthly benefits, as a percentage of eligible compensation | 3% | 3% | 2.7% | 1.426%-2.418% | 2% |
| Required employee contribution rates | 9% | 9% | 11.50% | 7% | 6.25% |
| Required employer contribution rates | 27.849% | 27.849% | 11.50% | 11.522% | 6.25% |

**NOTE 7 – PENSION PLAN (Continued)**

***Contributions –*** The Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2017 and 2016, the employer contributions recognized as deferred outflows of resources were $558,449 and $477,840, respectively.

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2017 and 2016, the District's reported total net pension liability of $7,660,368 and $5,890,721, respectively, for its proportionate shares of the net pension liability. The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plans. The net pension liability at June 30, 2017 and 2016, of each of the Plans is measured as of June 30, 2016 and 2015 (measurement dates), and the total pension liability for each of the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, respectively rolled forward to June 30, 2016 and 2015 using standard update procedures. The District's proportion of the net pension liability was actuarially determined at the valuation date.

For the years ended June 30, 2017 and 2016, the District recognized pension expense of $1,044,609 and $572,667, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| June 30, 2017 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 558,449 | $ - |
| Differences between Expected and Actual Experiences | 6,552 | 24,708 |
| Change in assumptions | - | 163,169 |
| Net differences between projected and actual earnings on pension plan investments | 819,724 | - |
| Changes in employer's proportion | 182,678 | 346,478 |
| Difference between the employer's contributions and the employer's proporation share of contributions | 1,644 | 516,848 |
| Total | $ 1,569,047 | $ 1,051,203 |

## NOTE 7 – PENSION PLAN (Continued)

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)***

| June 30, 2016 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 477,840 | $ - |
| Differences between Expected and Actual Experiences | 11,630 | 17,804 |
| Change in assumptions | - | 191,924 |
| Net differences between projected and actual earnings on pension plan investments | - | 96,664 |
| Changes in employer's proportion | 50,581 | 545,412 |
| Difference between the employer's contributions and the employer's proporation share of contributions | 3,699 | 457,589 |
| Total | $ 543,750 | $ 1,309,393 |

At June 30, 2017 and 2016, the District reported $558,449 and $477,840, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized, as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2018 | $ (357,098) |
| 2019 | (247,515) |
| 2020 | 351,034 |
| 2021 | 212,974 |
| Total | $ (40,605) |

***Actuarial Assumptions*** - The total pension liabilities was determined using the following actuarial assumptions:

| | **2017** | **2016** |
|---|---|---|
| Valuation Date | June 30, 2015 | June 30, 2014 |
| Measurement Date | June 30, 2016 | June 30, 2015 |
| Actuarial Cost Method | Entry Age Normal Cost Method | Entry Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.65% |
| Inflation | 2.75% | 2.75% |
| Payroll Growth | 3.00% | 3.00% |
| Projected Salary Increase | 3.30% to 14.20% depending on Age, Service, and Type of Employment | 3.30% to 14.20% depending on Age, Service, and Type of Employment |
| Investment Rate of Return | 7.65% net of pension plan investment expenses, includes inflation | 7.65% net of pension plan investment expenses, includes inflation |
| Mortality | Derived using CalPERS' Membership Data for all Funds | Derived using CalPERS' Membership Data for all Funds |

## NOTE 7 – PENSION PLAN (Continued)

### *Actuarial Assumptions (Continued)*

The mortality table used in the June 30, 2015 valuation was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the experience study can be found on the CalPERS website under Forms and Publications.

***Discount Rate –*** The discount rate used to measure the total pension liability at June 30, 2017 and 2016 was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund for the June 30, 2016 and 2015 measurement dates. The stress test results are presented in a detailed report named "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.65 percent used for the June 30, 2016 and 2015 measurement dates is without reduction of pension plan administrative expense.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

## NOTE 7 – PENSION PLAN (Continued)

### *Discount Rate (Continued)*

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

The target allocation for the June 30, 2016 measurement date was as follows:

| Asset Class | New Strategic Allocation | Real Return Year 1-10 (a) | Real Return Year 11+ (b) |
|---|---|---|---|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 20.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 1.00% | -0.55% | -1.05% |
| Total | 100.00% | | |

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.00% used for this period

The target allocation for the June 30, 2015 measurement date was as follows:

| Asset Class | New Strategic Allocation | Real Return Year 1-10 (a) | Real Return Year 11+ (b) |
|---|---|---|---|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |
| Total | 100.00% | | |

(a) An expected inflation of 2.50% used for this period
(b) An expected inflation of 3.00% used for this period

**NOTE 7 – PENSION PLAN (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate –** The following presents the District's proportionate share of the net pension liability of the Plans as of the June 30, 2016 measurement date, calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

| Proportionate Share of Net Pension Liability | Decrease Rate - 1% (6.65%) | Current Discount Rate (7.65%) | Decrease Rate + 1% (8.65%) |
|---|---|---|---|
| Total | $ 11,581,928 | $ 7,660,368 | $ 4,435,347 |

The following presents the District's proportionate share of the net pension liability of the Plans as of the June 30, 2015 measurement date, calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

| Proportionate Share of Net Pension Liability | Decrease Rate - 1% (6.65%) | Current Discount Rate (7.65%) | Decrease Rate + 1% (8.65%) |
|---|---|---|---|
| Total | $ 9,949,341 | $ 5,890,721 | $ 2,556,308 |

**Pension Plan Fiduciary Net Position –** CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

## NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

**Plan Description –** The District provides a defined benefit healthcare plan (Retiree Health Plan). The Retiree Health Plan provides healthcare insurance for eligible retirees that elect to keep healthcare insurance coverage through the CalPERS Health Benefit Program upon retirement. Benefit provisions are established by the Board of Directors.

**Funding Policy –** The District's contribution for each miscellaneous and public safety fire retiree is the CalPERS mandatory employer portion of the health care premium. The District's contribution for each public safety police retiree is up to 90% of the health care premium (including the mandatory employer portion). The District currently contributes enough funds to the Retiree Health Plan to satisfy current obligations on a pay-as-you-go basis. The District does not have any assets segregated and restricted to provide funds towards the Retiree Health Plan. The contributions made to fund the Retiree Health Plan for the years ended June 30, 2017 and 2016 was $40,270 and $38,909, respectively.

**Annual OPEB Cost and Net OPEB Obligation** - The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 28 years.

The District's annual OPEB cost for the years ended June 30, 2017 and 2016, respectively, and the related information for the Retiree Health Plan based on an actuarial valuation dated July 1, 2014, are as follows:

| | 2017 | 2016 |
|---|---|---|
| Annual required contribution | $ 44,373 | $ 44,373 |
| Interest on net OPEB obligation | 7,518 | 7,381 |
| Adjustment to the annual required contribution | (10,841) | (10,642) |
| Annual OPEB cost (expense) | 41,050 | 41,112 |
| Contributions made | (40,270) | (38,909) |
| Change in net OPEB obligation | 780 | 2,203 |
| Net OPEB obligation, beginning of year | 366,455 | 364,252 |
| Net OPEB obligation, end of year | $ 367,235 | $ 366,455 |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years are as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/2017 | $ 41,050 | 98% | $ 367,235 |
| 6/30/2016 | 41,112 | 95% | 366,455 |
| 6/30/2015 | 41,201 | 88% | 364,252 |

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Funded Status and Funding Progress -** The table below indicates the funded status of the Retiree Health Plan as of July 1, 2014.

| | | |
|---|---|---|
| Actuarial accrued liability (AAL) | $ | 797,740 |
| Actuarial value of plan assets | | - |
| Unfunded actuarial accrued liability (UAAL) | $ | 797,740 |
| Funded ratio (actuarial value of plan assets)/AAL | | 0.0% |
| Approximate annual covered payroll (active plan members) | $ | 2,846,530 |
| UAAL as a percentage of annual covered payroll | | 28% |

**Actuarial Methods and Assumptions -** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following summarizes other significant methods and assumptions used in valuing the AAL and annual required contribution under the Retiree Health Plan.

- *Actuarial valuation date* – the actuarial valuation date was as of July 1, 2014.
- *Actuarial cost method* – the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014, was twenty-seven years.
- *Percentage of retirees electing coverage* – Historically, only about 28% of the District's total retirees elect medical coverage. This is factored into the calculations to arrive at the Annual Required Contributions and the Actuarial Accrued Liability.
- *Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.
- *Marital Status* – Marital status of members does not apply as only the member is covered under the plan.

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

- *Mortality* – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.
- *Turnover* – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition, the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.
- *Payroll increase* – Changes in the payroll for current employees are expected to increase at a rate of approximately 1.0% annually.
- *Discount rate* – The calculation uses an annual discount rate of 2.0%. This is based on the assumed long-termed return on plan assets or employer assets.
- *Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premium is 3.5% based on the average medical care component of the Consumer Price Index-Urban (CPI-U) for the past three years.
- *Health insurance premiums* – 2014 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.
- *Medicare coordination* – Medicare was assumed as the primary payer for current and future retirees at age 65.

The calculation of the District's other postemployment benefits cost is calculated as follows:

- Medical benefits for police retirees is $634 per month for those under age 65 and $397 for those age 65 and over. Retirees with 10 years of service with the District after attaining age 50 receive 3% per year of service up to 90% of the premium annually over the $131 per month minimum required District contribution. The District does not contribute toward the retiree's spouse/partner or dependent(s) medical premium.
- Medical benefits paid by the District for fire and miscellaneous retirees is the minimum required contribution of $131 per month.

The number of retirees annually drawing these benefits is determined as follows:

- Current retirees drawing benefits, plus potential retirees (assuming a retirement age of 60 and 28% of retirees electing coverage under the Retiree Health Plan).
- Capped at life expectancy based on mortality tables published by the National Center for Health Statistics.

On an ongoing basis, the District will be reviewing its assumptions, comparing them against actual experience, and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

## NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant reductions in insurance coverage from the previous year. The District has not settled claims in excess of the District's insurance coverage in any of the past three years.

The District purchased coverage through an insurance broker for property and commercial liabilities and losses incurred above its deductible limits. Different insurance carriers cover various categories of coverage and are listed separately. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, newly discovered information and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), economic and social factors, newly discovered information and changes in the law.

The District's deductibles and maximum coverage follows:

| Coverage | Deductible | | Coverage (aggregate) |
|---|---|---|---|
| Buildings & Business Personal Property Except Tools & Maintenance Equipment | $ 10,000 | | $ 46,458,570 |
| Tools & Maintenance Equipment | 1,000 | | |
| Boiler & Machinery | 10,000 | | 29,529,222 |
| Automobile | 500 | | 1,000,000 |
| Fire Truck Physical Damage | | | 1,000,000 |
| Airport Liability | | | 50,000,000 |
| Bodily Injury & Property | 5,000 | per occurrence | |
| | 10,000 | per aggregate | |
| Personal Injury | 5,000 | per occurrence | |
| | 10,000 | per aggregate | |
| Combined | 10,000 | per occurrence | |
| Public Officials Liability | 100,000 | | 5,000,000 |
| Fiduciary Liability | 5,000 | | 1,000,000 |
| Crime | 5,000 | | 500,000 |

### *Workers' Compensation Insurance*

The District purchases workers' compensation insurance through Special District Risk Management Authority (SDRMA) with the following coverage level:

| Coverage | Coverage | |
|---|---|---|
| Workers' Compensation | Statutory | |
| Employers' Liability | $ 5,000,000 | (per occurrence) |

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

**Legal –** The District is, from time to time, involved in lawsuits arising in the ordinary course of District operations that, in the opinion of management, will not have material effect on results of operations.

**Grants and Contracts -** The District participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and other regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the District; however, as of the date of this report, no such reviews exist, and accordingly, no liabilities are reflected in the accompanying basic financial statements.

**Fire Services –** On October 31, 2013, the District and the City of Monterey (City) entered into an agreement to share resources to provide fire and emergency services to the area of Monterey along the Highway 68 corridor. The City agreed to assume the difference between the actual cost of providing fire and emergency services, which amount will fluctuate over the term of the agreement and the Fire Service Fee charged by the City to the District. The initial term of the agreement is from January 1, 2014, through July 1, 2019, with an automatic extension in five-year terms unless either party gives written notice of its intent to allow the agreement to lapse. The District will provide access to the property and equipment to enable the City to provide services to the District as well as to provide local mutual aid and assistance and the City will provide fire department administration, fire prevention, incident response within the geographic boundaries of the District, and Statewide mutual aid and assistance services.

In consideration for these services, the District agreed to compensate the City with an initial fee for the period from January 1, 2014 through June 30, 2016 in the amount of $1,650,000 per fiscal year (Fire Service Fee), payable monthly. During FY17, the District paid the City $1,697,850 pursuant to increases based on the consumer price index. The District transferred its unused and unpaid compensated absence balance (including sick leave) in the amount of $226,233 of which $119,797 and $139,763 remains outstanding at June 30, 2017 and 2016, respectively. The District will pay off the balance due to the City at a rate of 10% per year for a period of ten years until the City is 100% compensated for the initial value of the sick leave balance.

## NOTE 11 – SUBSEQUENT EVENT

From August through September 2017, the District requested and received reimbursements from the CEC loan totaling $2,576,657.

**MONTEREY PENINSULA AIRPORT DISTRICT**
Required Supplementary Information - Unaudited
For the Years Ended June 30, 2017 and 2016

***Schedule of the District's Proportionate Share of the Net Pension Liability – Safety Risk Pool***
Last 10 Years *

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Measurement period | 2014 | 2015 | 2016 |
| Proportion of net pension liability | 0.06162% | 0.06574% | 0.00668% |
| Proportionate share of the net pension liability | $ 3,834,741 | $ 4,512,232 | $ 5,781,218 |
| Covered-employee payroll | $ 1,588,889 | $ 578,045 | $ 601,667 |
| Proportionate share of the net pension liability as a percentage of covered-employee payroll | 241.35% | 780.60% | 960.87% |
| Plan fiduciary net position as a percentage of total pension liability | 81.15% | 78.40% | 73.40% |

**Notes to Schedule:**

Change in benefit terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the measuremnt dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.
Changes in assumptions - The discount rates were 7.50%, 7.65% and 7.65% (net of administrative expense) in 2015, 2016 and 2017 respectively.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

**MONTEREY PENINSULA AIRPORT DISTRICT**
Required Supplementary Information - Unaudited
For the Years Ended June 30, 2017 and 2016

***Schedule of the District's Proportionate Share of the Net Pension Liability – Miscellaneous Risk Pool***
Last 10 Years *

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Measurement period | 2014 | 2015 | 2016 |
| Proportion of net pension liability | 0.21670% | 0.02008% | 0.02172% |
| Proportionate share of the net pension liability | $ 1,342,879 | $ 1,378,489 | $ 1,879,150 |
| Covered-employee payroll | $ 1,767,058 | $ 1,731,555 | $ 1,677,728 |
| Proportionate share of the net pension liability as a percentage of covered-employee payroll | 76.00% | 79.61% | 112.01% |
| Plan fiduciary net position as a percentage of total pension liability | 81.15% | 78.40% | 78.52% |

**Notes to Schedule:**

Change in benefit terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the measuremnt dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.
Changes in assumptions - The discount rates were 7.50%, 7.65% and 7.65% (net of administrative expense) in 2015, 2016 and 2017 respectively.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

**MONTEREY PENINSULA AIRPORT DISTRICT**
Required Supplementary Information - Unaudited
For the Years Ended June 30, 2017 and 2016

## *Schedule of Contributions – Miscellaneous and Safety Risk Pools Combined*
Last 10 Years*

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 466,335 | $ 316,804 | $ 477,840 | $ 558,449 |
| Contractually in relation to the actuarially determined contributions | (466,335) | (316,804) | (477,840) | (558,449) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered-employee payroll | 3,218,816 | 2,273,134 | 2,309,600 | 2,124,464 |
| Contributions as a percentage of covered-employee payroll | 14.49% | 13.94% | 20.69% | 26.29% |

**Notes to Schedule:**
The actuarial methods and assumptions used to determine the fiscal year 2016-17 contribution rates are as follows:

| | |
|---|---|
| Valuation date: | 6/30/2014 |
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Amortization Method | Level percent of payroll, closed |
| Asset Valuation Method | 15 year smooth market |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% net of pension plan investment and administrative expenses, includes inflation |
| Retirement Age | The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. |

* Fiscal year 2015, using the fiscal year 2014 measurement period, was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

The schedule of funding progress presented below provides a consolidated snapshot of the District's ability to meet current and future liabilities with the other postemployment benefit plan assets.

***Schedule of Funding Progress – Other Postemployment Benefits***

| Actuarial Valuation Date | (A) Actuarial Value of Assets | (B) Actuarial Accrued Liability (AAL) - Entry Age | (C) Unfunded AAL (UAAL) [(B) - (A)] | (D) Funded Ratio [(A) / (B)] | (E) Annual Covered Payroll | (F) UAAL as a Percentage of Covered Payroll [(C) / (E)] |
|---|---|---|---|---|---|---|
| 7/1/2014 | $ - | $ 797,740 | $ 797,740 | 0.0% | $ 2,846,530 | 28.0% |
| 7/1/2011 | - | 542,029 | 542,029 | 0.0% | 3,772,911 | 14.4% |
| 7/1/2009 | - | 1,135,375 | 1,135,375 | 0.0% | 3,108,482 | 36.5% |

The decrease in AAL between the FY 2009 and FY 2011 actuarial valuation reports was primarily due to refinements in actuarial assumptions used by the District.

# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Monterey Peninsula Airport District
Monterey, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Monterey Peninsula Airport District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2017.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control. Accordingly we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 30, 2017

**Independent Auditor's Report on Compliance for the
Major Federal Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance**

Board of Directors
Monterey Peninsula Airport District
Monterey, California

**Report on Compliance for Each Major Federal Program**

We have audited the Monterey Peninsula Airport District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 30, 2017

**MONTEREY PENINSULA AIRPORT DISTRICT**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2017**

| | CFDA Number | Grant Number | Expenditures |
|---|---|---|---|
| U.S. Department of Transportation | | | |
| Federal Aviation Administration | | | |
| Airport Improvement Program | 20.106 | AIP 59, 61, 62, 63, 64 and 66 | $ 2,133,438 |
| Total expenditures of federal awards | | | $ 2,133,438 |

See accompanying notes to the schedule of expenditures of federal awards

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## NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Monterey Peninsula Airport District (District).

## NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule is presented using the accrual basis of accounting as described in Note 1 to the District's basic financial statements.

## NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the SEFA agree to or can be reconciled with the amounts reported in the related federal financial reports.

## NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The SEFA agrees to or can be reconciled with the amounts reported in the District's basic financial statements.

## NOTE 5 – INDIRECT COSTS

The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR section 200.414 - Indirect costs.

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**MONTEREY PENINSULA AIRPORT DISTRICT**
Schedule of Findings and Questioned Costs – Federal Awards
For the Year Ended June 30, 2017

**Section I – Summary of Auditor's Results**

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued : | Unmodified |
| Internal control over financial reporting: | |
| ♦ Material weakness(es) identified? | No |
| ♦ Significant deficiency(ies) identified ? | None reported |
| Noncompliance material to the financial statements noted? | No |
| ***Federal Awards*** | |
| Internal control over major programs: | |
| ♦ Material weakness(es) identified? | No |
| ♦ Significant deficiency(ies) identified? | None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| Identification of major programs: | |
| U.S. Department of Transportation, Airport Improvement Program (CFDA Number 20.106) | |
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 |
| Auditee qualified as a low-risk auditee? | Yes |

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

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**MONTEREY PENINSULA AIRPORT DISTRICT**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

**Prior Audit Findings**

There are no prior year findings and questioned costs.

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MGO Certified Public Accountants

**Independent Auditor's Report on Compliance With Applicable Requirements of the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance With the Passenger Facility Charge Audit Guide for Public Agencies**

Board of Directors
Monterey Peninsula Airport District
Monterey, California

**Compliance**

We have audited Monterey Peninsula Airport District's (District) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, applicable to its passenger facility charge program for the year ended June 30, 2017.

***Management's Responsibility***
Compliance with the requirements referred to above is the responsibility of the District's management.

***Auditor's Responsibility***
Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. Our audit does not provide a legal determination of the District's compliance with those requirements.

***Opinion***
In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2017.

***Internal Control Over Compliance***
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 30, 2017

# MONTEREY PENINSULA AIRPORT DISTRICT
## Schedule of Passenger Facility Charge Revenues and Expenditures
## For the Year Ended June 30, 2017

| | Passenger Facility Charge Revenue | Interest Earned | Total Revenues | Expenditures on approved projects | Under (over) expenditures on approved projects |
|---|---|---|---|---|---|
| Balance to date as of June 30, 2016 | $ 15,781,314 | $ 287,889 | $ 16,069,203 | $ 15,244,272 | $ 824,931 |
| Fiscal year 2016-2017 transactions: | | | | | |
| Quarter ended September 30, 2016 | 212,474 | 1,557 | 214,031 | 11,500 | |
| Quarter ended December 31, 2016 | 180,701 | 1,799 | 182,500 | 49,108 | |
| Quarter ended March 31, 2017 | 227,654 | 2,198 | 229,852 | 32,306 | |
| Quarter ended June 30, 2017 | 202,051 | 2,968 | 205,019 | 126,943 | |
| Total fiscal year 2016-2017 transactions | 822,880 | 8,522 | 831,402 | 219,857 | 611,545 |
| Balance to date as of June 30, 2017 | $ 16,604,194 | $ 296,411 | $ 16,900,605 | $ 15,464,129 | $ 1,436,476 |

See Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures

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**MONTEREY PENINSULA AIRPORT DISTRICT**
Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Year Ended June 30, 2017

## NOTE 1 – GENERAL

The Schedule of Passenger Facility Charge Revenues and Expenditures presents only the activity of the Passenger Facility Charge (PFC) program of the Monterey Peninsula Airport District (District).

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of PFCs and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. PFCs are fees imposed on enplaned passengers by the District for the purpose of generating revenue for District projects that increase capacity, increase safety, mitigate noise impact and enhance competition between and among air carriers in accordance with FAA approvals.

## NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule is presented using the accrual basis of accounting as described in Note 1 to the District's basic financial statements.

## NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule of Passenger Facility Charge Revenues and Expenditures agree to or can be reconciled with the amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports.

## NOTE 4 – PFC APPROVED PROJECTS AND EXPENDITURES

The general description of the approved projects and the expenditures for the year ended June 30, 2017 are as follows:

| Passenger Facility Charge Project Number/Description | Identifying Number | Passenger Facility Charge Approved Amount | Expenditures |
|---|---|---|---|
| Runway 10R/28L Safety Area Construction, Phase 2 | 11-17-C-00-MRY | 650,000 | 700,585 |
| Terminal Improvements - Weather Protection Canopies | 11-17-C-00-MRY | 125,000 | 74,414 |
| Update Airport Master Plan Study | 13-18-C-00-MRY | 145,000 | 142,776 |
| Improve Runway 10R/28L Safety Area - Phase III | 13-18-C-00-MRY | 820,000 | 887,796 |
| Install Perimeter Fence Alarm | 13-18-C-00-MRY | 30,000 | 10,691 |
| Apron Rehabilitation-Aircraft Rescue Fire Fighting Ramp | 13-18-C-00-MRY | 125,000 | 76,513 |
| Acquire One Standard Police Vehicle - Security Improvement | 14-19-C-00-MRY | 50,000 | 40,117 |
| Improve Runway Safety Area Runway 10R/28L - Phase 4 | 14-19-C-00-MRY | 1,936,000 | 1,330,777 |
| Environmental Assessment Infield Rehabilitation Project | 16-21-C-00-MRY | 35,000 | 20,652 |
| Acquire Airport Sweeper | 16-21-C-00-MRY | 26,000 | 374 |
| Environmental Assessment - Proposed Safety Enhancement Projects | 16-21-C-00-MRY | 251,000 | 80,272 |
| Total Passenger Facility Charge Projects | | $ 4,193,000 | $ 3,364,968 |

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